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IN THE

Supreme Court of the United States

OCTOBER TERM, 1954.

No. 180

MASTERCRAFTERS CLOCK & RADIO CO.,
Petitioner,

vs.

VACHERON & CONSTANTIN-LE COULTRE WATCHES, INC., AND JAEGER-LE COULTRE, S. A.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT.

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To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Your petitioner, Mastercrafters Clock & Radio Co., plaintiff in the courts below, respectfully prays for a writ of certiorari to the United States Court of Appeals for the Second Circuit to review the judgment entered by that court on March 31, 1955.

In accordance with Rule 21(3) of this Court, petitioner files herewith a certified copy of plaintiff's and defendants' appendices filed in the court below (Vol. I and II, resp.), and defendants' appendix to their reply brief filed in the Court below and proceedings in the Court below (Vol. III).

OPINIONS OF THE COURTS BELOW.

The opinion of the trial court dated March 1, 1954, appears in the Appendix hereof at page 25 and is reported in 119 F.S. 209, 100 USPQ 432.

The opinion of the Court of Appeals for the Second Circuit dated March 31, 1955, appears in the Appendix hereof at page 42 and is reported in 221 F. 2d 464, 105 USPQ 160.

STATEMENT OF THE GROUNDS ON WHICH JURISDICTION IS INVOKED.

1. The judgment of the Court of Appeals sought to be reviewed was entered on March 31, 1955 and appears in the appendix hereof at page 48.

2. A petition for rehearing was denied by the Court of Appeals on June 10, 1955 and appears in the appendix hereof at page 49.

3. The jurisdiction of this Court is invoked under 28 U. S. C., Sec. 1254(1), 62 Stat. 928 and Sec. 1(b) of Rule 19 of this Court.

4. Cases believed to sustain the jurisdiction are:

Armstrong Paint & Varnish Works v. *Nu-Enamel Corp.*, 305 U. S. 315.

Halliburton Oil Well Cementing Co. v. *Walker*, 329 U. S. 1.

Duplate Corp., et al. v. *Triplex Safety Glass Co.*, 298 U. S. 448.

Great Atlantic & Pacific Tea Company, The v. *Supermarket Equipment Corporation*, 340 U. S. 147.

Forsyth v. *Hammond*, 166 U. S. 506.

Electric Storage Battery Company v. *Shimadzu, et al.*, 307 U. S. 5.

United Carbon Co. v. *Binney & Smith Co.*, 317 U. S. 228.

QUESTIONS PRESENTED.

The decision of the Court of Appeals in this case presents the following questions:

1. In an action for unfair competition based upon the copying of the unpatented design of an article of manufacture, is it unlawful to copy the unpatented design of an article of manufacture merely because of a likelihood of confusion of goods?

2. Is the decision of the Court of Appeals in this case in making the copying of an unpatented design of an article of manufacture unlawful and actionable because of confusion as to goods, notwithstanding distinctive marking as to source of origin, in conflict with the decision of this Court in *Kellogg* v. *National Biscuit Co.*, 305 U. S. 111, and the decisions of other courts holding that under the law of unfair competition the confusion must be as to source of origin rather than as to goods?

3. Is the decision of the Court of Appeals in this case in making the copying of an unpatented design of an article of manufacture unlawful and actionable, notwithstanding distinctive marking of the article as to its source, and notwithstanding absence of palming off or deception or customer-confusion, in conflict with the decision of this Court in *Kellogg* v. *National Biscuit Co.*, 305 U. S. 111, and the decisions of other courts (*West Point Mfg. Co.* v. *Detroit Stamping Co.*, 105 USPQ 200 (CA 6)) holding that anyone has the right to copy the unpatented design of an article of manufacture, bearing only the obligation to identify its source?

4. Did the Court of Appeals in violation of the Anti-Trust Laws of the United States, by its decision in this case vest in a plurality of independent sources in the United States a judicially created perpetual monopoly

in the unpatented design of an article of manufacture under the guise of protection against unfair competition?

5. Should free competition in the sale of an unpatented article of manufacture be stifled by a perpetual monopoly judicially created in the unpatented design of such article under the guise of protection against unfair competition?

STATEMENT OF THE CASE.

History of Case.

This litigation was instituted by petitioner, Mastercrafters Clock & Radio Co. (hereinafter referred to as "petitioner"), as a result of the intimidation and harassment of petitioner's customers of its Mastertime Model 308 clock by means of telegrams sent by respondent Vacheron & Constantin-LeCoultre Watches, Inc. (hereinafter referred to as "respondent Vacheron") to such customers and the filing by respondent Vacheron of seven separate State Court suits against petitioner's customers charging each with unfair competition in the sale of petitioner's Model 308 clock.

By its complaint (R. Vol. I, p. 4a) petitioner sought a declaratory judgment that in the sale of its Mastertime Model 308 clock it did not unfairly compete with respondent Vacheron in the latter's sale of the Atmos clock.

By such complaint petitioner further charged that at the time respondent Vacheron sent the aforesaid telegrams and filed the aforesaid suits, respondent Vacheron was not the sole distributor of the Atmos clock and did not have the exclusive right to the unpatented design of such clock and, knowing such to be the facts, respondent Vacheron in sending the aforesaid telegrams and filing the aforesaid suits had therefore acted in bad faith and was guilty of unfair competition (R. Vol. I, 7a 9a). Peti-

tioner sought injunctive relief and an accounting for damages.

To this complaint respondent Vacheron filed its answer (R. Vol. I 44a) denying the charges asserted by petitioner in its complaint and alleging (R. Vol. I 46, par. 13) that respondent Vacheron was the sole distributor of the Atmos clock and did have the exclusive right to the unpatented design thereof. Respondent Vacheron counterclaimed (R. Vol. I 47a) for a judgment holding petitioner guilty of unfair trade competition based upon the copying by petitioner of the unpatented design of respondent's Atmos clock and upon the claim that the unpatented appearance of such clock had been associated in the minds of the trade and the purchasing public with respondent Vacheron as its source.

Shortly prior to the trial of this case in the trial court below, on motion (R. Vol. I 97a) of respondent Jaeger-LeCoultre, S. A. of Switzerland (hereinafter referred to as "Respondent Jaeger-LeCoultre"), the latter was allowed to intervene as a counterclaimant-defendant. Thereupon, respondents Vacheron and Jaeger-LeCoultre filed their joint amended counterclaim (R. Vol. I 98a), charging petitioner with unfair trade competition in the sale of the latter's Mastertime Model 308 clock. In such amended counterclaim respondents sought injunctive relief and an accounting for profits and damages and alleged, among other things (R. Vol. I 99a, par. 2), that respondent Vacheron or its parent corporation, Longines-Wittnauer Watch Co., is the sole distributor of the Atmos clock in the United States and that the appearance of such clock has become associated with respondents Vacheron and Jaeger-LeCoultre. Petitioner replied (R. Vol I 107a), denying such allegations and that respondents were entitled to the relief prayed for under their joint amended counterclaim.

In an amended reply (R. Vol. I, p. 104a) to respondents' amended counterclaim, petitioner charged that respondent Vacheron was completely dominated and controlled in the sale of the unpatented Atmos clock in the United States by its parent corporation, Longines-Wittnauer Watch Co., Inc., in restraint of trade in violation of the Federal Anti-Trust Laws, particularly Title 15, Sec. 1, 2 and 3, U. S. C., and by reason thereof, respondent Vacheron came into court with unclean hands. Having found for petitioner on other issues, the trial court made no ruling with respect to such charge (p. 37).

Prior to trial, both petitioner and respondent Vacheron moved for preliminary injunctions (R. Vol. I, p. 54a et seq.) Both motions were denied. (R. Vol. I, p. 70a.)

The trial court after due consideration of the facts and the briefs filed by the respective parties, entered its opinion dated March 1, 1954, granting petitioner the relief prayed for by its complaint and dismissing respondents' counterclaim (R. Vol. I, p. 460a). The trial court's opinion and judgment are reproduced in the appendix hereof, pages 25 and 40, respectively. By such opinion and findings of fact, the trial court found that (1) petitioner was not guilty of unfair trade competition; (2) a secondary meaning did not attach to the appearance of respondents' Atmos clock; (3) there could be no secondary meaning in such appearance because of a plurality of sources; (4) there was no evidence to show that the public cared who was the ultimate source of respondents' Atmos clock; (5) petitioner's electric clock and carton therefor were plainly marked with petitioner's distinctive trademark and trade-name to identify such clock as petitioner's product (R. Vol. II, pp. 80-83).

The trial court also found (R. Vol. I, 482a), as charged by petitioner, that respondent Vacheron acted in bad faith, and by a subsequent judgment dated October 11, 1954

(R. Vol. I, 493a) awarded petitioner damages in the amount of $4884.*

On respondents' appeal to the Court of Appeals from the judgment of the trial court, the Court of Appeals reversed the judgment of the trial court by its opinion of March 31, 1955, reproduced in the appendix hereof at page 42, and remanded the case to the District Court with directions to dismiss petitioner's complaint and, on the counterclaim, to grant an injunction against plaintiff and to ascertain the damages to respondents.

The Court of Appeals in the following language concluded that petitioner unlawfully copied the appearance of the Atmos clock, resulting in a likelihood of confusion which the Court of Appeals held actionable:

> "True, a customer examining plaintiff's clock would see from the electric cord, that it was not an 'atmospheric' clock. But, as the judge found, plaintiff copied the design of the Atmos clock because plaintiff intended to, and did attract purchasers who wanted a 'luxury design' clock. This goes to show at least that some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. Plaintiff's wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. Neither the electric cord attached to, nor the plaintiff's name on, its clock would be likely to come to the attention of such a visitor; the likelihood of such confusion suffices to render plaintiff's conduct actionable."

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* The evidence showed that the design of the Atmos clock was the property of The LeCoultre Company, the manufacturer, and that respondents Jaeger-LeCoultre and Vacheron shared the right to the design of the Atmos clock with Longines-Wittnauer Watch Company and Cartier, Inc., the latter two not parties to this litigation and independent distributors of the Atmos clock in the United States.

Statement of Facts Necessary for Consideration of This Petition.

The respondents' Atmos clock, operated by changes in atmospheric temperature, is manufactured by The LeCoultre Company of Switzerland, *not a party to this action* (R. Vol. II, p. 40). Since about 1939 it has been distributed in substantially the same form and design. Neither the mechanism nor the design of the Atmos clock has been patented (R. Vol. II, pp. 2, 3). Respondent Jaeger-LeCoultre of Switzerland is now and has been the foreign distributor of the Atmos clock (R. Vol. II, pp. 40, 41). By a contract dated 1939 and subsequently rewritten in 1947, the right to sell the Atmos clock in the United States was given by Jaeger-LeCoultre to respondent Vacheron and to Cartier, Inc., a retailer of New York City (R. Vol. I, 458a). Cartier, *not a party to this suit*, sells the Atmos clock to the public under its own name "Cartier" distinctly appearing on the dial of the clock (R. Vol. II, pp. 24, 25). The Atmos clock sells in the United States for $175.

From 1939 to 1949, respondent Vacheron sold the Atmos clock to its parent corporation, Longines-Wittnauer Watch Co., Inc., *not a party to this suit* (R. Vol. II, pp. 21, 28, 30). During that period of time and subsequently, the Atmos clock was advertised in the United States by Longines-Wittnauer Watch Company, Inc. (R. Vol. II, pp. 7, 10, 11, 15, 22, 71, 73). In 1949 respondent Vacheron organized its own sales force, paid by Longines-Wittnauer, and thereafter, concurrently with the sale of the Atmos clock by Longines-Wittnauer and Cartier, Inc., respondent Vacheron sold such clock to retailers in the United States (R. Vol. II, p. 19). Payments for the Atmos clock sold by respondent Vacheron to retailers were sometimes made directly to Longines-Wittnauer and at other times to respondent Vacheron; respondent Vacheron had no bank

account except an account into which payments for Atmos clocks were placed for immediate transmittal to Longines-Wittnauer (R. Vol. II, pp. 5, 28, 48, 51). The price at which the Atmos clock is sold to dealers as well as the selection of such dealers is controlled by Longines-Wittnauer (R. Vol. II, p. 36). Longines-Wittnauer paid for all advertisements of the Atmos clock in the United States and maintained all expenses including office expenses and employees' salaries, incurred by respondent Vacheron (R. Vol. II, pp. 5, 28, 35, 48 and 51).

The Atmos clock bore the trade-mark "Atmos" together with the notation "Made in Switzerland." Except such clocks as were sold by Cartier, Inc., the Atmos clock also bore the trade-mark "LeCoultre" (R. Vol. II, p. 45). On the clocks sold by Cartier, Inc. conspicuously appeared the name "Cartier" (R. Vol. II, pp. 24, 45).

Until a few months before the trial of this case, the trade-mark "Atmos" was owned and registered in the United States Patent Office by Etablissements Ed. Jaeger of France, not a party to this suit (R. Vol. II, p. 34). The trade-mark "LeCoultre" is owned and registered in the United States Patent Office by The LeCoultre Company, the manufacturer of the Atmos clock and not a party to this suit (R. Vol. II, p. 42).

In all of the advertisements and in the display of the Atmos clock, it is emphasized that the Atmos clock is a perpetual motion clock and that it operates without electricity and without winding (R. Vol. II, pp. 7, 10, 11, 15, 22, 71, 73). A picture of the Atmos clock (Plf. Exh. 46) appears at page 86 of R. Vol. II filed with this Petition.

In June of 1952 petitioner, who manufactures and sells electrically operated clocks (R. Vol. I, p. 110a), placed on the market its Mastertime Model 308 clock which it sold for between $30 and $40. Such clock is an electrically

operated clock and has permanently attached thereto for connection with a power source an electric cord. Petitioner's clock is depicted at page 80 of R. Vol. II. On the dial of petitioner's clock distinctly appear petitioner's name "Mastercrafters" and "Made in U. S. A."; on the face of the clock is a removable label giving notice that the clock is an electric clock; also attached to the clock is a label likewise bearing petitioner's name and trade-mark; on the back of the case appears the Underwriter's label of approval as well as a small gummed sticker bearing the model number of the clock and the word "Mastercrafters" (see pp. 80-82, R. Vol. II). Petitioner's clock is placed in cartons conspicuously bearing petitioner's name and trade-mark (see p. 83, R. Vol. II).

There was no claim made by respondents of any attempt on petitioner's part to palm off its Mastertime Model 308 clock for the Atmos clock or of any attempt at deception or misrepresentation. There was no evidence of consumer-confusion or that anyone had ever purchased petitioner's clock believing that he was purchasing respondents' clock.*

While respondents sought to establish a secondary meaning in the appearance of the Atmos clock, petitioner does not believe it necessary to summarize such evidence in view of the fact that the Court of Appeals in its decision, while holding that secondary meaning was not barred because of a plurality of sources, did not reverse the trial court's findings upon such issue, but rather upon a holding that merely because of the similarity in appearance between petitioner's clock and respondents' Atmos clock, there results a likeli-

* Respondents' counsel at the trial of the case admitted (R. Vol. II, p. 4): "If it be the law that I have to produce in this room some person with $175 in his hand went to a jewelry store and walked out satisfied with that clock, I shan't do it. He isn't here." "• • • If the law were that it were necessary that I find someone so gullible that he could buy an electric clock thinking he bought our atmospheric clock, I doubt that I could succeed."

hood of confusion—this irrespective of petitioner's distinctive marking of its name and trade-mark on its clock and carton therefor (p. 45, *infra*).

REASONS RELIED UPON FOR ALLOWANCE OF WRIT.

1. The Court of Appeals in this case has decided an important question of the law of unfair trade competition affecting the right of a manufacturer to copy the unpatented design of an article of manufacture, in conflict with the applicable decisions of this and other Courts and in conflict with the overwhelming weight of authority of the State Courts of New York.*

2. The Court of Appeals in this case in reversing the judgment of the trial court has based its decision on a confusion in goods rather than confusion in source of origin, in conflict with the decision of this court in *Kellogg* v. *National Biscuit Co.*, 305 U. S. 111, and the decisions of other Courts of Appeals and the State Courts of New York.*

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* *Kellogg* v. *National*, 305 U. S. 111;
Swank, Inc. v. *Anson, Inc.*, 196 F. 2d 330 at 332 (C. A. 1);
Gum, Inc. v. *Gumakers of America, Inc.*, 136 F. 2d 957 at 960 (C. A. 3);
American Fork & Hoe Co. v. *Stampit Corp.*, 125 F. 2d 472 at 475 (C. A. 6);
West Point Mfg. Co. v. *Detroit Stamping Co.*, 105 USPQ 200 at 207 (C. A. 6);
Zangerle & Peterson Co. v. *Venice Furn. Novelty Co.*, 133 F. 2d 266 at 270 (C. A. 7);
Fruit Growers Coop. v. *M. W. Miller & Co.*, 170 F. 2d 834 at 837 (C. A. 7);
J. C. Penney Co. v. *H. D. Lee Mercantile Co.*, 120 F. 2d 949 (C. A. 8);
Pagliero et al. v. *Wallace China Co., Ltd.*, 198 F. 2d 339 at 343 (C. A. 9);
Reynolds & Reynolds Co. v. *Norick et al.*, 114 F. 2d 279 at 281 (C. A. 10);
Mavco, Inc. v. *Hampden Sales Assn.*, 77 NYS 2d 510 at 516 (NYS);
Raenore Novelties, Inc. v. *Superb Stitching Co.*, 61 USPQ 59 at 60 (NYS);

3. This petition for writ of certiorari presents for determination the important question as to what is the test of confusion in an action of unfair competition based upon the copying of the unpatented design of an article of manufacture—*i. e.*, is the test of confusion the inability on the part of the public to distinguish between articles because of their similarity in appearance rather than the inability to distinguish the source of such articles?

4. The Court of Appeals by its decision has created a state of confusion with respect to the right of a manufacturer to copy the unpatented design of an article of manufacture.

5. The Court of Appeals in this case by its decision has vested in separate and independent legal entities a judicially created perpetual monopoly in the unpatented design of an article of manufacture sold throughout the United States, which monopoly is forbidden by the Anti-Trust Laws of the United States.

6. This petition for writ of certiorari presents an issue of such great economic and public importance and so materially affects the manufacturing public's rights in the unpatented designs of articles of manufacture as to warrant a review by this Court to prevent the stifling and retarding of competition under a judicially created monopoly in the unpatented designs of such articles of manufacture.

7. Whether free competition in the sale of an unpatented article of manufacture should be stifled by a perpetual monopoly judicially created under the guise of pro-

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Herzman Scarfs, Inc. v. *Baar & Beards, Inc.*, 95 USPQ 348 (NYS);

American Merri-Lei Corp. v. *Jet Party Favors, Inc.*, 97 USPQ 484 at 485 (NYS);

Walco Bead Co., Inc. v. *Union Novelty Co., Inc.*, 89 USPQ 647 at 649 (NYS);

Squeezit Corp. v. *Plastics Corp.*, 103 USPQ 225 at 226 (NYS).

tection against unfair trade competition, is a question which is of the utmost importance to the public.

8. The decision of the Court of Appeals in this case runs counter to the policy and purpose of the Patent Laws of the United States, particularly the Design Patent Laws (35 U. S. C. 171, 173).

ARGUMENT AMPLIFYING REASONS FOR ALLOWING WRIT.

Point I.

Re Reasons 1 to 3 Incl. (pp. 11-12).

Petitioner by its distinctive trade-mark and trade-name plainly appearing on its clock and the carton therefor, made it clear to the purchasing public that its product was its own (see R. Vol. II, pp. 80-82). The trial court so found (R. Vol. I, p. 463a). Notwithstanding such marking and the absence of any palming off or deception on petitioner's part or customer-confusion, the Court of Appeals in this case has determined unfair competition not upon confusion as to source of origin of the goods but rather as to confusion of goods. In short, the Court of Appeals in this case has held the mere copying of the unpatented design of respondents' Atmos clock unlawful and actionable. This upon the theory of confusion in goods, *i. e.*, that notwithstanding petitioner's distinctive marking as to the source of its Mastertime Model 308 clock, a visitor in the home of a purchaser of petitioner's clock would be likely to assume that such clock was the Atmos clock (p. 45, *infra*).

Such a holding and theory is in direct conflict with the decisions of this and other Courts, as will now be made apparent.

In *Kellogg* v. *National Biscuit Co.*, 305 U. S. 118 at 119, this Court held that one who claims that another is guilty of unfair competition in the copying of his product must show that the consuming public is primarily concerned in the *producer* rather than in the *product itself* and that it is not unlawful to copy the unpatented design of an article of manufacture which in the minds of the public *is associated with the article rather than a particular producer*, the copier bearing only the obligation to identify the product as of his source, lest it be mistaken for that of the earlier producer, the exact language of this Court in the *Kellogg* case, *supra*, being as follows:

> "Where an article may be manufactured by all, a particular manufacturer can no more assert exclusive right in a form in which the public has become accustomed to see the article and which in the minds of the public is primarily associated with the article rather than a particular producer, than it can in the case of a name with similar connections in the public mind. Kellogg Company was free to use the pillow-shaped form *subject only to the obligation to identify its product lest it be mistaken for that of the plaintiff.*"

No subsequent decision of this Court has changed the above rule.

The trial court* in this case followed the principle of the *Kellogg* case, which principle has been followed by the majority of the Courts of Appeals.

See cases cited in Footnote to Reason 2, p. 11, *supra*.

As a typical example is the case of *Zangerle & Peterson Co.* v. *Venice Furn. Novelty Mfg. Co.*, 133 F. 2d 266 at 269. The Court of Appeals for the Seventh Circuit there said:

> "If the plaintiff never had a patent, then the mere

* The decision of the District Court in this case has been cited with approval as expressing the law of the great weight of authorities, in the following cases: *Squeezit Corp.* v. *Plastic Dispensers, Inc.*, 103 USPQ 225 at 226; *J. R. Clark Co.* v. *Murray Metal Products*, 104 USPQ 224 at 230; *West Point Mfg. Co.* v. *Detroit Stamping Co.*, 105 USPQ 200.

> Act of copying did not amount to unfair competition. After a patent expires, one may copy it. It then belongs to the public. The patentee's monopoly is gone. *Singer Mfg. Co.* v. *June Mfg. Co.*, 163 U. S. 169 * * *. If one never had a patent the situation is exactly the same. Copying a design not patentable is not unfair competition. *Sinko* v. *Snow Craggs Corp.*, 7 Cir., 105 F. 2d 450. * * *
>
> If one does what he has a legal right to do, as in the case at bar, copying an article of merchandise that is not covered by a valid patent, but does not represent the copies as the product of the party making the original and does nothing in the merchandising of the goods to induce one's customers to engage in 'palming off' or to indicate to them how they may 'palm off' the copy as the product of the original maker, such conduct is not illegal and does not amount to unfair competition * * *."

As a further typical example is the case of *American Fork & Hoe Co.* v. *Stampit Corporation*, 125 F. 2d 472 at 475. In that case the Court of Appeals for the Sixth Circuit said:

> "In the absence of a patent, freedom of manufacture cannot be cut down under the name of preventing unfair competition * * *. All that can be asked is that precautions should be taken so far as are consistent with the defendant's fundamental right to make and sell what it chooses, to prevent the deception. * * *
>
> The same doctrine has been approved in *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 121 * * *."

The conflict between the decision of the Court of Appeals for the Second Circuit in this case and the decisions of other Courts of Appeals becomes indelible when the decision of the Court of Appeals in this case is compared with the decision handed down April 26, 1955 by the Court of Appeals for the Sixth Circuit in *West Point Mfg. Co.* v. *Detroit Stamping Co.*, 105 USPQ 200. In that case the

Court of Appeals cited with approval the decision of the trial court in this case.

After reviewing many of the decisions of the Court of Appeals of the Second Circuit, including some of those hereinbefore listed, the Court of Appeals for the Sixth Circuit pointed out that in some instances references to confusion would seem to imply that if the article copied is identical to the original article, the public, not being able to tell the differences between the two articles because of their similarity, is confused, and that, since the copier is the cause of such confusion, he is accordingly guilty of unfair competition. Such was the holding of the Court of Appeals for the Second Circuit in this case. The Court of Appeals for the Sixth Circuit in the *West Point* case emphatically pointed out: "That is not the law." (105 USPQ 207, Par. 6.)

Relying on the decision of this Court in the *Kellogg* case, *supra*, the Court of Appeals for the Sixth Circuit pointed out in the *West Point* case (105 USPQ 200 at 207):

> "The confusion for which the copier is held responsible, under the law of unfair competition, is not confusion resulting from the inability on the part of the public to distinguish between similar articles, one of which has been copied from the other. It is rather *confusion as to origin, not of goods, which controls* on the question of unfair competition; and it is only if there is such relationship or analogy between the goods of a complainant and those of a defendant that ordinary retail purchasers are likely to be deceived as to *their origin* that there is, in law, unfair competition.
>
> "The identical imitation of the goods of another does not in itself constitute unfair competition."

By its decision in the *West Point* case, the Court of Appeals for the Sixth Circuit has followed the doctrine announced by this Court in the *Kellogg* case, as well as the majority of other Courts of Appeals. The Court of Appeals in this case by its decision holding that: "Plain-

tiff's [petitioner's] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock [petitioner's clock] was an Atmos clock" because of their similarity in appearance, has departed from such doctrine and rendered a decision in direct conflict with that of this Court in the *Kellogg* case and the decision of the Sixth Circuit in the *West Point* case.

Not only has the Court of Appeals in this case rendered a decision in conflict with the decision of this Court in the *Kellogg* case, *supra,* as well as the decisions of other Courts of Appeals, but also one incompatible with its own prior decisions, which prior decisions were accepted by the courts and the legal profession as the controlling law.

This fact is made apparent by a comparison between the Court of Appeals' decision in this case written by Judge Frank, and the decision written by the same jurist for the Court of Appeals less than four years ago in the case of *Charles D. Briddell, Inc.* v. *Alglobe Trading Corp.,* 194 F. 2d 416 at 419. In that case, in quoting *General Time Instrument Corp.* v. *United States Time Corp.,* 165 F. 2d 853, 854 (C.A. 2), Judge Frank said:

> "The copying of an unpatented design does not in itself constitute unfair competition."

and in Footnote No. 2 of the *Briddell* case, Judge Frank enlarged upon the above quoted statement thus (p. 419):

> "Without [secondary meaning] or patent protection it was not unfair competition merely to copy the plaintiffs' purses and sell duplicates of them."

Contrary to the above-quoted principles, the same jurist in the case at bar has made the mere copying of an unpatented design in itself unlawful and actionable notwithstanding distinctive marking as to source and notwithstanding absence of palming off, or deception, or customer-confusion. This upon the theory that the wrong consisted of the fact that because of similarity of appearance be-

tween two articles of manufacture, one would be likely to be taken for the other notwithstanding distinctive marking as to source (p. 45, *infra*).

In each of the following cases the Court of Appeals for the Second Circuit was called upon to decide whether the copying of an unpatented design constituted unfair competition. In each instance, such court in following the principle announced in *Kellogg* v. *National Biscuit, supra,* and the local law of the State of New York, has he'd that in the absence of a patent or secondary meaning in the unpatented design of an article of manufacture, anyone has the right to slavishly copy a design down to the minutest detail, bearing only the obligation to take reasonable precaution to identify the product as of its manufacture and that such copying does not in itself constitute unfair competition:

Crescent Tool Co. v. *Kilborn & Bishop Co.*, 247 F. 299 (1917), involving a wrench.

A. C. Gilbert Co. v. *Shemitz,* 45 F. 2d 98 at 100 (1930)—fruit juice extractor.

Lewis v. *Vendome Bags,* 108 F. 2d 16 at 18 (1939) —a handbag.

Airolite Co. v. *Fiedler,* 147 F. 2d 496 at 498.*

General Time Instrument Corp. v. *U. S. Time Corp.,* 165 F. 2d 853 (1948)—an alarm clock.

Chas. D. Briddell, Inc. v. *Alglobe Trading Corp.,* 194 F. 2d 416 at 419 (1951)—a steak knife.

Lucien LeLong, Inc. v. *Lander Co.,* 164 F. 2d 395 at 397 (1947)—a perfume bottle.

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* In *Airolite Co.* v. *Fiedler,* the decision written by Circuit Judge Chase and concurred in by Circuit Judge Frank who wrote the opinion in the case at bar, it was said (p. 498):

"Palming off or the fair likelihood of it, which is the gist of a cause of action for unfair competition, was not shown merely by the copying of the uncopyrighted drawing plaintiffs had made but had no exclusive right to use."

Compare with Judge Frank's decision in the case at bar.

Paramont Industries v. *Solar Products Corp.*, 186 F. 2d 999 at 1001-2 (1951)—lamps.

Algren Watch Findings Co. v. *Kalinski*, 197 F. 2d 69 at 71 (1952)—a buckle.

Bucky et al. v. *Sebo*, 208 F. 2d 304 (1953)—a camera.

While the case at bar is no different from the above cases (each involving the same question), yet, contrary to such prior rulings and in conflict with the *Kellogg* case, *supra*, the Court of Appeals in this case has made the mere copying of the unpatented design unlawful and actionable, notwithstanding that the second producer distinctly identifies his product as of his manufacture.

The principle of the *Kellogg* case, without exception, is likewise followed by the State courts of New York as well as other State courts. See cases cited in Footnote to Reason 2, p. 11, *supra*.

As a typical example is the case of *American Merri-Lei Corp.* v. *Jet Party Favors, Inc.*, 97 USPQ 484 at 485 (1953). There the Supreme Court of the State of New York said:

> "* * * anyone may make anything in any form and may copy with effectiveness that which another has produced without inflicting any legal injury unless he attributes to that which he has made a false origin by claiming it to be a manufacture of another person. Any other doctrine is impossible to be maintained; for otherwise all the essential colors, all the essential forms, could be monopolized as trade-marks and exclusive rights would be created not limited in time as patents are, founded upon no public utility and subject to no public controls but the will of the adopter."

Another typical example is the case of *Walco Bead Co., Inc.* v. *Union Novelty Co., Inc.* (1951), 89 USPQ 647 at 649, wherein the New York Supreme Court of New York County said:

> "The law is well established that no dealer has the

> sole right to use a certain form, shape or feature of merchandise, even though he may be the first to conceive and use it. Nims, 'Unfair Competition and Trade Marks,' section 134, p. 373. Similarity, in and of itself, will not suffice and the fact that the defendant may have deliberately copied the appearance of plaintiff's product and in doing so may have gained an advantage is, likewise, insufficient."

The conflict between the decision of the Court of Appeals in this case and that that of this Court as well as other Courts having thus been clearly shown by the above comparison between such decisions, it is imperative that such conflict be resolved by this Court.

Point II.

Re Reason 4 (p. 12).

A recognized confusion already exists with respect to the law of unfair competition, particularly that branch based on the copying of an unpatented design of an article of manufacture.

That such confusion does in fact exist is admitted by the jurist who wrote the opinion for the Court of Appeals in this case. In previous cases in which such jurist participated, he expressed himself with respect to the state of confusion in the law of unfair competition, in the following manner:

In *Standard Brands, Inc.* v. *Smidler*, 151 F. 2d 34 at 43, a case involving the infringement of a trade-mark and in which case arose the question of the necessity of the plaintiff there proving that the defendant's product was inferior to that of the plaintiff, Judge Frank said:

> "Accepting that principle as the basis of plaintiff's suit, logically plaintiff should fail, absent proof that defendant's product is actually inferior, *i. e.*, so shoddy or substandard that such impairment of plaintiff's

> good will is a likely result. As plaintiff in the case at bar has offered no such proof, I am doubtful whether, on rational grounds, it is entitled to governmental protection of the widespread monopoly it claims. However, as the courts have not heretofore required such proof in such cases, I think we should not do so here, but should *leave that issue to the Supreme Court.*"

In a subsequent case, *Triangle Publications* v. *Rohrlich*, 167 F. 2d 969 at 981, a case involving the infringement of the trade-mark "Sweet Sixteen" used by plaintiff therein as a title for a magazine and by defendant as a trade-mark for wearing apparel, Judge Frank, who wrote a dissenting opinion in that case, said:

> "I think that anyone reading the decision in the Best case and the decision here will be in *considerable confusion about the doctrine of confusion* in this circuit. *On that ground, also, it seems to me the Supreme Court should review this decision.*"

In the decision of the Court of Appeals in this case, Judge Frank in Footnote 3 said:

> "The writer of this opinion happens to believe that the 'secondary meaning' and other trade name doctrines should be modified in several respects. See, *e. g.*, concurring opinion in *Smidler* v. *Standard Brands*, 151 F. 2d 34, 37 (C. A. 2); dissenting opinion in *General Time Instrument Corp.* v. *U. S. Time Corp.*, 165 F. 2d 853, 855 (C. A. 2); dissenting opinion in *Triangle Publications* v. *Rohrlich*, 167 F. 2d 969, 974 at 980-981 (C. A. 2). But his views will have no significance unless and until the Supreme Court accepts them."

This recognized state of confusion in the law of unfair competition is urged upon this Court by petitioner in addition to the unquestionable conflict between the decision of the Court of Appeals in this case and the decision of this Court in *Kellogg* v. *National Biscuit Co.*, *supra*, for the allowance of this writ. Refusal to resolve such confusion will not only add to the confusion already existing but will

also leave standing on the lawbooks a decision contrary to the decisions of this Court, the Courts of the State of New York and the decisions of other Courts of Appeals, and one which is counter to the policy and purpose of the Patent and Anti-Trust Laws by vesting in a combination a court-made perpetual monopoly in an unpatented design subject to no public control but the will of its producer.*

Upon these premises, it is of the utmost importance that the writ herein sought be granted.

Point III.

Re Reasons 5 to 8 Incl. (pp. 12-13).

The trial court in a well reasoned opinion held (R. Vol. I, p. 475a) that in view of the fact that there was a plurality of independent sources for the Atmos clock in the United States to either of which the unpatented design of the Atmos clock might point, there could be no secondary meaning in the unpatented design of the Atmos clock.

The Court of Appeals by its decision in this case, while not deciding the question of a secondary meaning in the unpatented design of respondents' clock, recognized that there was a plurality of independent sources in the United States for such clock. It held (contrary to the holding of the trial court) that that fact did not preclude the existence of a secondary meaning.

No doubt, the Court of Appeals at the time of its decision in this case did not realize the far-reaching effect of the same. Indisputably such decision in this case creates a *perpetual monopoly* in the *unpatented design* of the Atmos clock in favor of *four independent legal entities*, to-wit, Jaeger-LeCoultre, S.A. of Switzerland, the foreign distributor; Longines-Wittnauer Watch Company, Inc., not

* In *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249 at 255, this Court said that after expiration of a patent anyone may make the article or device.

a party to this suit and the real party in interest; Vacheron & Constantin-LeCoultre Watches, Inc.; and Cartier, Inc., likewise not a party to this suit. To this group may be added a fifth independent legal entity, to-wit, *The LeCoultre Company,* the manufacturer of the Atmos clock.

It requires the citation of no authority to support petitioner's claim that such monopoly is incompatible with and violates the Anti-Trust Laws of the United States (15 U.S.C. 1). See Appendix hereof, p. 51.

For this additional reason, this Court is fully justified in granting this writ in the interests of the public, and to review the decision of the Court of Appeals to resolve the question as to whether or not such a perpetual monopoly in an unpatented design of an article of commerce should be permitted.

To allow the decision to stand is to stifle free competition in the sale of an unpatented article of manufacture by the creation of a perpetual monopoly under the guise of protection against unfair competition, subject to no public control but the will of the producer. In the case at bar, such perpetual monopoly is confined *not to a single individual but to a combination of independent sources* of the Atmos clock, hereinbefore identified.

Conclusion.

For the foregoing reasons, this Petition for Writ of Certiorari should be granted.

Respectfully submitted,

MASTERCRAFTERS CLOCK & RADIO CO.,
Petitioner,

By CLARENCE E. THREEDY,
EDWARD C. THREEDY,
HARRY MEISNERE,
Its Attorneys.

APPENDIX.

JUDGE McGOHEY'S OPINION.

Appearances:

Harry Meisnere, Attorney for Plaintiff, 51 East 42 Street, New York, N. Y. Clarence E. Threedy and Edward C. Threedy, 111 West Washington Street, Chicago 2, Ill. Of Counsel.

Goodwin, Danforth, Savage & Whitehead, Attorneys for Defendant and Intervenor-Counterclaimant, 44 Wall Street, New York 5, N. Y. Of Counsel: Pennie, Edmonds, Morton, Barrows & Taylor; William F. Clare, Jr.; W. Brown Morton, Jr.; Stanton T. Lawrence, Jr.

McGOHEY, D. J.

The plaintiff seeks a declaratory judgment that it is not unfairly competing with the defendant; damages allegedly resulting from suits by the defendant against the plaintiff's distributors; an injunction to restrain the prosecution of such suits.

The defendant, in a counterclaim in which the intervenor joins, charges unfair competition by the plaintiff and asks damages and an injunction.

At trial to the Court alone, the parties stipulated to try only the issue of liability, leaving questions of damages for later determination.

The facts found by the Court and the conclusions of law follow.

Mastercrafters Clock & Radio Co. (hereafter called Masters) is an Illinois corporation. Vacheron-Constantin

Le Coultre Watches, Inc. (hereafter called Vacheron) is a New York Corporation. Jaeger-Le Coultre, S.A. (hereafter called Jaeger) is a Swiss corporation.

The amount in controversy exceeds $3,000. The Court has jurisdiction of the parties and subject matter.

Since some time prior to 1937 a Swiss corporation, Le Coultre & Cie, S.A. (hereafter called Le Coultre Co.), not a party to this action, has manufactured a clock unique in the horological world by reason of its source of energy. Although spring driven, it is so contrived that the spring is wound by very slight changes in the temperature of the atmosphere. No manual winding or other external source of energy is required. These features induced the manufacturer at an early date to name the clock "Atmos—the Perpetual Motion Clock."

Initially it was made in a variety of designs, but by 1937 it was determined to give so unique a mechanism a distinctive outward appearance. Accordingly, the old designs were withdrawn and replaced by the one still in use which is the subject of this suit. It is a simple yet elegant open-dial model made of brass, set on a brass base and covered by a detachable case consisting of four crystal sides and a crystal top set in a brass framework.

Neither the mechanism nor the design has been patented. The name Atmos, however, which is always used to describe this atmospherically operated clock, has been registered in the United States Patent Office, as the property of Etablissements Ed. Jaeger of France. It was assigned to Jaeger after this suit was commenced.

Le Coultre Co., the manufacturer, has no sales organization. Jaeger, the intervenor herein, is the sole sales outlet for all Le Coultre Co. products, including the Atmos clock. In 1939 Jaeger in a written contract granted Vacheron the right to sell and advertise the Atmos clock in the United

States. This right, however, was not exclusive. The contract reserved to Jacques Cartier, Inc. of New York the right, granted some time in 1937 or before and which it at all times since has exercised, to import and sell Atmos clocks in the United States at retail under the name "Cartier" which appears prominently on the dial of all the Atmos clocks so sold.

Since 1939, all Atmos clocks, other than Cartier's, sold and displayed in the United States, have been imported by Vacheron and have borne prominently on the dial the name "Le Coultre" which during the life of their contract Jaeger has authorized Vacheron to use. "Le Coultre" is registered in the United States Patent Office as the property of Le Coultre Co., the manufacturer.

Vacheron is a wholly owned and controlled subsidiary of Longines-Wittnauer Watch Co., Inc. of New York (hereafter called Longines), not a party to this action. All Vacheron's accounts are carried in the books of Longines which handles all Vacheron's finances. From 1939 to 1949 Vacheron had no sales force of its own and the Atmos clocks it imported during those 10 years were advertised by Longines and sold by the latter's sales force. Payments were made to and received by Longines. Since 1949, however, a separate sales staff which is paid by Longines has been assigned to Vacheron. Payment for Atmos clocks sold by this staff is still sometimes made to and received by Longines. Since 1949, both Vacheron and Longines have advertised the Atmos as the "Le Coultre Atmos—The Perpetual Motion Clock."

From its introduction into the United States in 1937 by Jacques Cartier, Inc. until 1949, the retail price of all the Atmos clocks sold here was $315. Extensive retooling of the Swiss factory in 1949 resulted in increased production at lower cost. The price was then reduced to $165. This was later increased to the present price of $175.

Masters is a manufacturer of electrically operated clocks which it sells only to retail and wholesale jewelers throughout the United States. In January 1952, Masters commenced production of a clock known as its Model 308, which it introduced to the trade in July of the same year. This is an electrically operated clock and bears the seal of approval of the Electrical Underwriters' Laboratory, Inc. The Model 308, although in external appearance practically an exact copy of the Atmos, has the following prominent distinguishing features: (1) there is clearly visible, extending from the rear of the base, an electric cord equipped for attachment to an outlet of suitable current; (2) the name "Mastercrafters" is embossed or etched on the dial approximately at the place where either "Cartier" or "Le Coultre" appears on the Atmos; (3) "Made in U.S.A." is embossed on the dial, whereas the Atmos bears the legend "Made in Switzerland"; (4) there are various adhesive labels affixed to the case and works bearing the name and trade-mark of Mastercrafters and advising the purchaser that "This 'Mastertime' Electric Clock operates only on 110 volt, 60 cycle, A.C. current." (5) when in operation the pendulum of the Model 308 rotates whereas that of the Atmos oscillates.

The Atmos is always advertised under that name as an unique clock operated by changes in atmospheric temperature. The Model 308 has never been described or represented as the Atmos but is always described and advertised as a clock operated by electricity. Both clocks are packed in distinctive cartons plainly marked with the shipper's name and trade-mark and there is no serious claim that there is any likelihood of confusion arising from the packaging, especially since the clocks are not sold packaged at retail.

In the fall of 1952, shortly after the introduction of the

Model 308, Vacheron, by telegram, notified Masters[1] and some 18 of its customer-distributors to "cease all sale or offer for sale of Mastercrafters Model 308 clock. Model 308 is a flagrant counterfeit of the distinctive appearance and configuration of our long-established Atmos clock. Unless we receive your agreement as above we must necessarily instruct our attorneys to proceed promptly to protect our interests." Following this notice Vacheron commenced state court actions against seven of Masters' distributors for damages and injunction. In verified complaints Vacheron alleged in part that "it and its parent Longines-Wittnauer Watch Co., Inc. . . . have been since 1939, the sole distributors in the State of . . . and the United States of a certain design of precision clock powered by changes in atmospheric temperature and glass encased, which it and its parents have always sold, and it is now selling, under the 'Le Coultre' tradename and identified by the trade-mark 'Atmos.'"

Subsequent to the institution of these suits substantial orders for Model 308 were cancelled by distributors.

Masters countered by bringing the present action in which, prior to the trial, Jaeger was permitted to intervene as counter-claimant.

Large sums have been spent by Longines to advertise the "Le Coultre" Atmos in the United States, and extensive world-wide advertising has been done by Jaeger.

Prior to the introduction of Model 308 in July, 1952, the Atmos, whether designated "Cartier" or "Le Coultre," was readily distinguishable from all other clocks then on

1. The telegram to Masters, dated July 1952, read as follows: "We demand that you withdraw from the market all Mastertime clocks advertised Page 56 July 1952 issue of Jewelers Circular Keystone as they constitute a flagrant imitation of our well known and distinctive Atmos clock. Advise of your intentions immediately as we have instructed our attorneys to take promptly all steps to protect our interests."

the market by virtue of its appearance alone as well as by its unique mechanism. Business concerns have frequently chosen the "Le Coultre" Atmos because of its outstanding appearance and performance as a presentation piece for merit awards.

In a survey of 249 dealers conducted by Vacheron while this litigation was pending each was shown a photograph of an Atmos with the name on the dial obliterated. 210 named Le Coultre as the maker. Of the remainder, some named Longines, others United Watch Co., and others didn't know the maker. It was not shown whether these dealers or any of them were Vacheron customers who might be presumed to know the manufacturer.

Three unidentified customers at separate unspecified times inquired about "the lower priced Atmos."

An unspecified number of unidentified persons said at various unstated times that they knew where they "could get [a clock] for $30 or $40 just like it [the Atmos]."

On two or three occasions the Model 308 has been described as "a copy of the Atmos"; once by a Masters' representative at an exhibit in Chicago; on the other occasions by distributors of the Model 308.

Since the introduction of the Model 308, Vacheron's salesmen have encountered considerable sales resistance and sales of the "Le Coultre" Atmos have fallen off.

The foregoing undoubtedly proves the uniqueness, and even the esthetic qualities of the Atmos, but it hardly establishes secondary meaning[2] which I apprehend to be

2. *Lewis* v. *Vendome Bags, Inc.*, CCA 2, 108 F. 2d 16, 18, 1939, cert. denied, 309 U. S. 660 (1940); *Kellogg Toasted Corn Flake Co.* v. *Quaker Oats Co.*, CCA 6, 235 F. 657, 668 ff. (1916); *J. C. Penney* v. *H. D. Lee*, CCA 8, 120 F. 2d 949, 955 (1941); *Briddell* v. *Alglobe Trading Corp.*, CCA 2, 194 F. 2d 416, 418 (1951); *Columbus Plastic* v. *Rona Plastic*, SDNY, 11 FS 623, 624 (1953); *American Merri-Lei Corp.* v. *Jet Party Favors*, 123 NYS 2d 137, 139 (1953).

an identification of an object of commerce with a single source—even though unnamed—and an interest on the part of the consuming public in buying because of that source.[3] Although, through advertising, some members of the public appear to be aware of the fact that there is an uniquely designed atmospherically operated clock on the market, there is no evidence that the public attributes that clock to a single source. On the contrary, the evidence shows that the Atmos is and has been identified with two trade names, "Cartier" since 1937 and "Le Coultre" since 1939; that it was advertised in this country by both Longines and Vacheron and abroad by Jaeger. The most that can be inferred from the facts as found is that the public identified the product and not the producer.[4] There was no evidence to show that the public cared what was the ultimate source of the clock and even trade witnesses who might be presumed to know, while recognizing the design as that of the atmospheric clock, were confused as to who was the manufacturer or even who was the American distributor. Nor was the corporate interrelationship of Vacheron and Longines generally known even in the trade.

I find accordingly that no secondary meaning has attached to the "design, configuration and appearance" of the Atmos clock.

In the absence of secondary meaning, of course, even

3. *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111 (1938); *Crescent Tool Co.* v. *Kilborn*, CCA 2, 247 F. 299, 300 (1917); *American Fork & Hoe Co.* v. *Stampit Corp.*, CCA 6, 125 F. 2d 472, 475 (1942); *Zangerle & Peterson Co.* v. *Venice Furniture Novelty Mfg. Co.*, CCA 7, 133 F. 2d 266, 270 (1943); *Lucien Lelong* v. *Lander*, CCA 2, 164 F. 2d 395, 397 (1947); *Columbus Plastic Products, Inc.* v. *Rona Plastic Corp.*, SDNY, 111 FS 623, 625 ff. (1953); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 77 NYS 2d 510, 515 (1948).

4. *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111 (1938); *Steem Electric Corp.* v. *Herzfeld-Phillipson*, CCA 7, 118 F. 2d 122, 126 (1940); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 77 NYS 2d 510, 516 (1948).

slavish imitation of an unpatented design is not actionable.[5] But even if the design had acquired a secondary meaning and assuming that Vacheron or Vacheron and Jaeger jointly have an interest entitling them to maintain their counterclaim, it is difficult to see the unfair competition they complain of.

The gist of unfair competition is unlawful interference with the business of another, not merely the natural inference occasioned by lawful competition. Unlawfulness lies in fraudulently inducing the public to buy the wares of the junior competitor believing it is buying those of the senior.[6] The essence of the wrong is thus two-pronged, the public itself is misled, possibly although not necessarily to its detriment, and the senior competitor is unfairly deprived of customers to whose trade he was legitimately entitled. Lacking direct evidence of diversion of customers, the senior competitor must show at least such confusion among members of the buying public as would warrant an inference of such diversion.[7] While some cases hold that

5. *A. C. Gilbert Co.* v. *Shemitz, et al.*, CCA 2, 45 F. 2d 98, 100 (1930); *Zangerle & Peterson* v. *Venice Furniture Novelty Mfg. Co.*, CCA 7, 133 F. 2d 266, 270 (1943); *Briddell* v. *Alglobe Trading Corp.*, CCA 2, 194 F. 2d 416, 419 (1952); *Mastercrafters Watch and Radio Co.* v. *Vacheron-Constantin Le Coultre Watches, Inc.*, SDNY, 110 FS 694, 697 (1953).

6. *Leschen* v. *Fuller*, CCA 8, 218 F. 786, 789 (1914), aff'd, 201 U. S. 166; *Lewis* v. *Vendome Bags, Inc.*, CCA 2, 108 F. 2d 16, 18 (1939), cert. denied, 309 U. S. 660 (1940); *Kellogg Toasted Corn Flake Co.* v. *Quaker Oats Co.*, CCA 6, 235 F. 657, 668 (1916); *Dupont Cellophane Co.* v. *Waxed Products Co.*, CCA 2, 85 F. 2d 75, 76 (1936); *Zangerle & Peterson Co.* v. *Venice Furniture Novelty Mfg. Co.*, CCA 7, 133 F. 2d 266, 269 (1943); *Bayer Co.* v. *United Drug*, SDNY, 272 F. 505, 509 (1921); *Parrot Speed Fastener Corp.* v. *E. W. Carpenter*, D. C. Conn., 26 FS 622, 623 (1939); *Lelong* v. *George W. Button*, SDNY, 50 FS 708, 710 (1943); *Book-of-the-Month Club* v. *Childrens Book & Record*, SDNY, 112 FS 151, 153 (1953); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 77 NYS 2d 510 (1948).

7. *General Time Instrument Corp.* v. *U. S. Time Corp.*, CCA 2, 165 F. 2d 853, 855, cert. denied, 334 U. S. 846; *American Fork &*

a similarity which has deceived even a negligent, careless or casual observer is sufficient,[8] usually items purchased in those cases were ordinary everyday commodities to the selection of which even the careful shopper brings only slight attention. Such decisions are not therefore in conflict with those holding that all facets of the transaction must be considered,[9] e. g. the intelligence, comparative wealth, age and position in society of the purchaser, the frequency, circumstances and locale of the transaction, and these, too, in connection with merchandise of the particular type, price range and utility.

That such confusion could exist here is inconceivable in view of the distinguishing features described above. These are unavoidably observable by any purchaser giving the clock even the minimum scrutiny which it must be assumed would be given by a purchaser of a clock in the $175 or even the $40 price range. Even if the dealer did not handle both clocks, so that a visual comparison would be impossible—and it seems probable that in most instances dealers did not—the Atmos is featured as a Swiss-made,

Hoe Co. v. *Stampit Corp.*, CCA 6, 125 F. 2d 472, 475 (1942); *Lucien Lelong* v. *Lander*, CCA 2, 164 F. 2d 395, 397 (1947); *Briddell* v. *Alglobe Trading Corp.*, CCA 2, 194 F. 2d 416, 419 (1952); *Columbus Plastic* v. *Rona Plastic*, SDNY, 111 FS 623, 626 (1953); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 77 NYS 2d 510, 515 (1948).

8. *Pillsbury* v. *Pillsbury-Washburn*, CCA 7, 64 F. 841 (1894); *De Voe Snuff Co.* v. *Wolff*, CCA 6, 206 F. 420 (1913); *Ward* v. *Potter*, CCA 1, 298 F. 398 (1924); *J. C. Penney* v. *H. D. Lee*, CCA 8, 120 F. 2d 949; *American Chicle Co.* v. *Topps Chewing Gum, Inc.*, CCA 2, ... F. 2d .... (1953).

9. *Leschen* v. *Fuller*, CCA 8, 218 F. 786, 790 (1914), aff'd, 201 U. S. 166; *Seven-Up Co.* v. *Cheer Up Sales Co.*, CCA 8, 153 F. 2d 231, 232 (1946), cert. denied, 326 U. S. 727; *N. K. Fairbanks* v. *R. W. Bell*, CCA 2, 77 F. 869, 871 (1896); *Hygrade Food Products Corp.* v. *H. D. Lee*, CCA 10, 46 F. 2d 771, 773 (1931); *Fawcett Publications* v. *Popular Mechanics*, CCA 3, 80 F. 2d 194, 198 (1935); *Lelong* v. *George W. Button Corp.*, SDNY, 50 FS 708, 710; *Luxor Cab Mfg. Corp.* v. *Leading Cab*, 211 NYS 886 (1925), aff'd, 213 NYS 847.

atmospherically-operated clock. It always bears either the name "Cartier" or "Le Coultre" and during the period here relevant has been advertised at a price of $165 or $175. Moreover "Atmos, the perpetual motion clock," has had wide publicity in newspapers, trade journals, popular magazines and jewelers' displays as an unique mechanism that works on atmospheric conditions, without electricity, without winding, and runs forever. This uniqueness is further emphasized by cross-section cut-away dealer displays showing in detail the operation of the mechanism. The advertising of the "Le Coultre" Atmos always emphasizes its unique mechanical principle, never the design alone. That a customer seeking such a particular clock could possibly mistake it for an electrically operated clock, made in U. S. A., bearing the name "Mastercrafters" and the Electrical Underwriters Laboratories' seal of approval of the electrical mechanism and selling for $40 is beyond imagining. The fact that three customers inquired as to "The lower priced Atmos" is as much proof that the discrepancy in price is a warning signal as it is that the consumers were confused. Such a shopper upon inquiry and inspection is immediately disabused of the notion that there is a lower priced "Atmos"; that name always connotes the perpetual motion clock operated by changes in atmospheric temperature. He is obviously attracted by the design merely and not by the fact that the Atmos is identified with either Le Coultre or Cartier. Surely such a shopper is not a potential purchaser lost to Vacheron by Masters' alleged deception. The same is true of the shoppers who said they knew where they "Could get [a clock] for $30 or $40 just like it [the Atmos])." This established cliche of the inveterate shopper may indicate a willingness to haggle but it does not persuade me that anyone really believed he could get the $175 Atmos for $30 or $40. There is no evidence

whatever that Masters ever represented its Model 308 to be the Atmos or the product of anyone other than itself. Indeed the evidence is to the contrary for Masters' clocks are plainly marked and advertised as their own.

I find accordingly that Vacheron has failed to establish that purchasers have been or are likely to be confused.

Masters undoubtedly intended to and did avail itself of an eye-catching design and hoped to cater to the price conscious purchaser who desires to own a copy of a luxury design clock regardless of mechanism or source. But such imitation alone is not unfair competition in the legal sense.[10] Here it does not even amount to the "free ride" sanctioned by some cases,[11] in view of which it is doubtful that such a clock, embodying the same mechanism at substantially the same price but plainly marked as the prod-

10. *Electric Auto-Lite Co.* v. *P & D Mfg. Co., Inc.*, CCA 2, 109 F. 2d 566, 567, cert. denied, 296 U. S. 469, rehearing den. 296 U. S. 665; *Lewis* v. *Vendome Bags, Inc.*, CCA 2, 108 F. 2d 16, 18 (1939), cert. denied, 309 U. S. 660; *Millinery Creators' Guild, Inc.* v. *Federal Trade Commission*, CCA 2, 109 F. 2d 175, 177 (1940), aff'd, 312 U. S. 469; *General Time Instrument Corp.* v. *U. S. Time Corp.*, CCA 2, 165 F. 2d 853, 854 (1948), cert. denied, 334 U. S. 846; *Zangerle & Peterson Co.* v. *Venice Furniture Novelty Mfg. Co.*, 133 F. 2d 266, 268, CCA 7 (1943); *Swanson Mfg. Co.* v. *Feinberg-Henry Mfg. Co.*, CCA 2, 147 F. 2d 500, 503; *Lucien Lelong* v. *Lander*, CCA 2, 164 F. 2d 395 (1947); *Champion Spark Plug* v. *A. R. Mosler*, SDNY, 233 F. 112, 115 ff (1916); *Moline Pressed Steel* v. *Davis*, SDNY, 21 F. 2d 577, 578 (1927); *Parrot Speed Fastener Corp.* v. *E. W. Carpenter Mfg.* DC Conn., 26 FS 622, 623 (1939); *Mastercrafters Watch & Radio Co.* v. *Vacheron Constantin-Le Coultre Watches, Inc.*, SDNY, 110 FS 694, 697 (1953); *Miss Susan, Inc.* v. *Enterprise*, 62 NYS 2d 250, aff'd, 297 N. Y. 512 (1947); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 77 NYS 2d 510; *American Merri-Lei Corp.* v. *Jet Party Favors*, 123 NYS 2d 136, 139.

11. *Millinery Creators' Guild* v. *Federal Trade Commission*, 109 F. 2d 174, 177, CCA 2 (1940); aff'd, 312 U. S. 846; *Briddell* v. *Alglobe Trading Corp.*, CCA 2, 194 F. 2d, 416, 419 (1952); *Mastercrafters Watch & Radio Co.* v. *Vacheron Constantin Le Coultre Watches, Inc.*, SDNY, 110 FS 694, 697 (1953); *Mavco, Inc.* v. *Hampden Sales Ass'n.*, 273 AD 297, 77 NYS 2d 510.

uct of Masters, would form the basis of a claim for unfair competition. Certainly under the facts here mere similarity does not constitute unfair competition. *Douglas Laboratories Corp.* v. *Copper Tan, Inc.*[12] is not to the contrary.

Vacheron, relying on recent New York[13] and Federal cases[14] urges that, by its contract with Jaeger, it acquired a valuable property right in the Atmos design; that Masters has by pirating the design interfered with that property right; and that such interference is actionable. These decisions have no application to the facts of this case. The contract with Jaeger gave Vacheron the right to import and sell Atmos clocks under the name "Le Coultre" but only in competition with Jacques Cartier, Inc. which was then and had been for two years importing and selling identical clocks under the name "Cartier." As soon as Vacheron began to exercise whatever right in the Atmos design it got under this contract, it effectively prevented that design from indicating any single source and made the design available for anyone to copy who did not misrepresent its source. Thus no right of Vacheron or Jaeger was invaded by Masters.

Accordingly Masters is entitled to judgment that it is not unfairly competing with Vacheron and dismissing the counterclaim. It is also entitled to an injunction permanently restraining Vacheron from prosecuting present or future state court actions against Masters' customers and from any other form of harassment of such customers in regard to the sale and distribution of the Model 308 clock.

12. *Douglas Laboratories Corp.* v. *Copper Tan, Inc.*, CCA 2, ... F. 2d .... (1954) 100 USPQ 237.

13. *Fisher* v. *Star*, 231 N.Y. 414; *Metropolitan Opera Ass'n.* v. *Wagner-Nichols*, 101 NYS 2d 483, aff'd, 107 NYS 2d 795.

14. *Pittsburgh Athletic Co.* v. *KQV Broadcasting Co.*, DC Pa. 24 FS 490 (1938); *Supreme Records* v. *Decca*, DC Cal. 90 FS 904 (1950); *Capitol Records* v. *Mercury Record Corp.*, SDNY 109 FS 330 (1952).

In view of this conclusion, it is unnecessary to consider whether Vacheron and Longines have, as Masters charges, violated any provision of the Antitrust laws.

There remains Masters' claim that it was damaged by the suits against its customers. In order to sustain this claim Masters must show that Vacheron acted in bad faith in bringing the suits.[15] Vacheron took the steps which at the time seemed sure to eliminate Masters' competition. Lack of good faith depends on whether Vacheron clearly had no interest entitled to protection, and knew or should have known this to be so; or if the steps it took in self-defense were, on general principles, improper. Plaintiff has attempted to show lack of good faith on both grounds. It complains that if Vacheron had been acting in good faith it would have proceeded first against Masters alone. But if Vacheron had an interest entitled to protection this course might not be adequate. Unless enjoined, Masters could have continued distribution during suit, and in any event its customer-retailers could have continued to sell the Model 308 clocks already in their possession with possible consequent damage to defendant's customers and business reputation beyond compensation in money. The defendant naturally enough therefore sought to stop the threat immediately at the retail level and thus protect its market most effectively. That if it stood alone, might be insufficient to sustain a charge of bad faith. But, as the plaintiff stresses, there was much more. Vacheron alleged in its complaints that it and its parent were sole distributors in the United States of a clock of a certain design, although it well knew from its

15. *Maytag* v. *Meadows*, CCA 7, 35 F. 2d 403, 408, ff.; *Circle S. Products* v. *Powell Products, Inc.*, CCA 7, 174 F. 2d 562 (1949); *Mastercrafters Watch & Radio Co.* v. *Vacheron Constantin-Le Coultre Watches, Inc.*, SDNY, 110 FS 694, 698 (1953); *Walters* v. *Clairemont*, 242 N.Y. 521 (1926).

contract with Jaeger that Cartier also was a distributor of clocks of identical design bearing its own name. Defendant fails to meet the charge or explain its conduct, other than to deny it acted in bad faith. Mere denial is not enough to overcome the affirmative evidence disclosed on this record. Vacheron admits that the Atmos clocks are distinguishable from Masters' by their mechanism, and claims secondary meaning only in the design. The cases are clear that imitation is not actionable unless there is a secondary meaning attached to the design *and* there is a likelihood of consumer-confusion. Mere failure of proof as to the consumer-confusion alone might not be enough to support a finding of bad faith, but all the facts of which defendant had actual knowledge before bringing the state court actions clearly show that under well established principles of the law there could not possibly be a secondary meaning since there are two independent sources of supply—Cartier and Le Coultre—to either of which the Atmos design might point.[16] Moreover it was shown that even as to the clocks marked "Le Coultre" the public might look to two apparently different sources, Vacheron and Longines. All of these facts were well known to Vacheron. Even allowing for different readings of the law, it is impossible to excuse Vacheron on the grounds of an innocent mistake in view of the great number of cases holding that a secondary meaning cannot attach to a design which can be attributed to two possible sources.

I find accordingly that Vacheron acted in bad faith in bringing the suits against Masters' customers. Vacheron therefore is liable for whatever damages, if any, Masters sustained by reason of the suits and the latter is entitled to a judgment therefor in such amount as the proof hereafter to be taken shall show. On the settlement of

16. See cases cited footnotes 3 & 10, *supra*.

the decree to be entered herein, counsel will be heard as to the manner and time of taking such proof.

Settle proposed decree on notice.

Dated: New York, N. Y., March 1, 1954.

s/s JOHN F. X. McGOHEY,
U. S. D. J.

CORRECTION OF LAST PARAGRAPH.

At a conference held today to settle the decree herein it appeared that the language of the last paragraph of the opinion was ambiguous. To correct this, that paragraph is herewith withdrawn and the following is substituted therefor.

"I find accordingly that Vacheron acted in bad faith and thus unfairly competed with the plaintiff, in harassing the latter's customers by suits and threats thereof. Vacheron therefore is liable for whatever damages, if any, Masters sustained by reason of such suits and threats thereof, and the latter is entitled to a judgment therefor in such amount as the proof hereafter to be taken shall show. On the settlement of the decree to be entered herein, counsel will be heard as to the manner and time of taking such proof."

Dated: New York, N. Y., March 11, 1954.

s/s JOHN F. X. McGOHEY,
U. S. D. J.

At New York, New York, in said District
on March 29th, 1954.

FINAL JUDGMENT.

THIS CAUSE having come on for trial on the pleadings and proofs of the respective parties, and after full hearing in open court in which each party was represented by counsel, and after briefs had been filed by the respective parties, and the court having been fully advised in the premises and due deliberation having been had, it is

ORDERED, ADJUDGED AND DECREED:

1. That plaintiff, Mastercrafters Clock & Radio Co., has not been and is not now unfairly competing with the defendant, Vacheron & Constantin-Le Coultre Watches, Inc., and the intervenor-counterclaimant, Jaeger-Le Coultre, S. A., or either of them, in the manufacture and sale of plaintiff's Mastercrafters Mastertime Model 308 electric clock.

2. That the amended counterclaim of the defendant, Vacheron & Constantin-Le Coultre Watches, Inc., and intervenor-counterclaimant, Jaeger-Le Coultre, S. A., be and the same is hereby dismissed.

3. That the defendant, Vacheron & Constantin-Le Coultre Watches, Inc., be, and it hereby is, forever restrained and enjoined from prosecuting present or future state court actions against plaintiff's customers and from any other form of harassment against such customers in regard to the sale and distribution of the plaintiff's Mastercrafters Mastertime Model 308 clock.

4. That the commencement and prosecution of actions in state courts and the intimidation and harassment of plaintiff's customers by the defendant, Vacheron & Constantin-Le Coultre Watches, Inc., on account of the sale by them of the Model 308 clock were acts of unfair competi-

tion because done in bad faith and the plaintiff shall recover the damages sustained by reason of said actions in such amount as shall be determined in the manner hereafter fixed by the Court.

5. That the plaintiff recover its costs herein to be taxed by the clerk.

/s/ JOHN F. X. McGOHEY,
U. S. D. J.

Judgment entered.

/s/ WILLIAM V. CONNELL,
Clerk.

March 29, 1954.

The Opinion of the Court of Appeals for the Second Circuit here reproduced is as amended by the Court of Appeals' order of June 10, 1955 (see R. Vol. III 57a and pp. 49-50, *infra*).

United States Court of Appeals

For the Second Circuit.

No. 194. October Term, 1954.

Argued February 17, 18, 1955. Decided March 31, 1955.

Docket No. 23157.

Mastercrafters Clock & Radio Co.,
Plaintiff-Appellant,

vs.

Vacheron & Constantin-Le Coultre Watches, Inc.,
Defendant-Counterclaimant-Appellant,

and

Jaeger-Le Coultre, S. A.,
Intervenor-Counterclaimant-Appellant.

Before: Frank and Medina, *Circuit Judges* and Brennan, *District Judge.*

Appeals from judgments of the United States District Court for the Southern District of New York, entered by Judge McGohey. Reversed and Remanded.

Clarence E. Threedy and Edward C. Threedy, Chicago, Ill., (Harry Meisnere, New York City, of counsel) for plaintiff-appellant;

Goodwin, Danforth, Savage & Whitehead (William F. Clare, Jr., of counsel), New York City, and Pennie, Edmonds, Morton, Barrows & Taylor (W. Brown Morton, Jr., and Stanton T. Lawrence, Jr.) New York City.

FRANK, *Circuit Judge:*

Mastercrafters Clock & Radio Co., the plaintiff below, is an American manufacturer of electric clocks. Vacheron & Constantin-Le Coultre Watches, Inc. (hereinafter referred to as "Vacheron"), defendant-counterclaimant, is an American importer and distributor of Swiss watches. Jaeger-Le Coultre, S. A., intervenor-counterclaimant, is a Swiss corporation engaged in selling Swiss-manufactured watches.

In 1952, when Mastercrafters launched the production and distribution of its Model 308 clock, Vacheron wired Mastercrafters and many of its customers-distributors that Model 308 was a counterfeit of the distinctive appearance and configuration of the Atmos clock, distributed by Vacheron, and that Vacheron would commence legal action if necessary. Following these telegrams, Vacheron started state-court suits against several of Mastercrafters' distributors for damages and an injunction. Mastercrafters, faced with a cancellation of orders for its Model 308 from distributors being sued in the state courts, countered by bringing the present action seeking a declaratory judgment that its Model 308 does not unfairly compete with Vacheron, and asking damages allegedly resulting from Vacheron's suits against Mastercrafters' distributors and an injunction to restrain further prosecution of those suits. Vacheron counterclaimed for damages from alleged unfair competition and for an injunction restraining the manufacture and distribution of Model 308. Jaeger-Le Coultre was permitted to intervene and join in Vacheron's counterclaim. The facts are more fully stated in the opinion of the

trial judge, reported in 119 F. Supp. 209. Pursuant to that opinion, he entered an order in favor of plaintiff and dismissing the counterclaims. From this order, defendant and the intervenor have appealed. After a further hearing as to the amount of plaintiff's damage, he subsequently entered a judgment granting plaintiff damages in the amount of $4,844. From this judgment plaintiff has appealed, complaining of the insufficiency of the amount of damages awarded.

The judge found that, before plaintiff began production of its Model 308, the Atmos clock "was readily distinguishable from all other clocks then on the market by virtue of its appearance"; that plaintiff's Model 308 copied that appearance; that plaintiff "undoubtedly intended to, and did, avail itself of an eye-catching design and hoped to cater to the price-conscious purchaser who desires to own a copy of a luxury design clock regardless of mechanism or source"; that the Atmos clock sold for not less than $175.00 while plaintiff's sold for $30 or $40; that on "two or three occasions Model 308 has been described as 'copy of Atmos,'" once by a representative of plaintiff at an exhibit in Chicago, on the other occasions by distributors of plaintiff's clock; that "since the introduction of the Model 308, Vacheron's salesmen have encountered considerable sales resistance" and its sales have "fallen off"; and that these facts undoubtedly prove "the uniqueness and even the aesthetic qualities of" the Atmos clock. He further found that three customers inquired as to "the lower priced Atmos" and that others "said they knew where they 'could get a clock for $30 or $40 just like the Atmos.'" But he held there was no unfair competition by plaintiff because (a) more than one person lawfully distributed the Atmos clock and therefore there was no single source, (b) there was no evidence to show that the public cared what was the ultimate source, and (c) plain-

tiff's clock was plainly marked and advertised as plaintiff's.

Absent a design patent or a secondary meaning, of course there would be no actionable harm by plaintiff.[1] But the existence of a secondary meaning, attaching to the unique appearance of the Atmos clock, is not precluded by the mere fact that more than one person distributed that clock in the same area. The actionable harm, in a secondary-meaning case, may result either from the likelihood (a) of loss of customers or (b) of loss of reputation, or (c) of both. Such loss can result from the customer's belief that the competing article derives from the same source as that of the party complaining; and it matters not whether the customers know just who is the source.[2] The ultimate source here was the Swiss manufacturer, while the intermediate sources, in this country, were the defendant and Cartier. All three had actionable claims against plaintiff, if its conduct did or was likely to injure the reputation of the ultimate source of the Atmos clock, for all three legitimately enjoyed the benefits of that reputation.

True, a customer examining plaintiff's clock would see from the electric cord, that it was not an "atmospheric" clock. But, as the judge found, plaintiff copied the design of the Atmos clock because plaintiff intended to, and did, attach purchasers who wanted a "luxury design" clock. This goes to show at least that some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. Plaintiff's wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. Neither the electric cord attached to, nor the

1. *Chas. D. Briddell, Inc.* v. *Alglobe Trading Corp.*, 194 F. (2d) 416, 418 (C.A. 2).

2. *Coca Cola Company* v. *Koke*, 254 U.S. 143, 146 (Dec. 6, 1920).

plaintiff's name on, its clock would be likely to come to the attention of such a visitor; the likelihood of such confusion suffices to render plaintiff's conduct actionable.[3]

Plaintiff's intention thus to reap financial benefits from poaching on the reputation of the Atmos clock is of major importance. Of course, where there is no likelihood of confusion—as, *e. g.*, where the alleged infringing article is not in a sufficiently adjacent field[4]—then an alleged infringer's intent becomes irrelevant, since an intent to do a wrong cannot transmute a lawful into an unlawful act.[5] But where the copying is unlawful, if only there is a likelihood of confusion, then the intent of the copier becomes decidedly relevant:[6] It gives rise to a powerful inference that confusion is likely, and puts on the alleged infringer the burden of going forward with proof that it is not. Here the plain-

3. The writer of this opinion happens to believe that the "secondary meaning" and other trade-name doctrines should be modified in several respects. See, *e.g.*, concurring opinion in *Smidler* v. *Standard Brands*, 151 F. (2d) 34, 37 (C.A. 2); dissenting opinion in *General Time Instrument Corp.* v. *U. S. Time Corp.*, 165 F. (2d) 853, 855 (C.A. 2); dissenting opinion in *Triangle Publications* v. *Rohrlich*, 167 F. (2d) 969, 974 at 980-981 (C.A. 2). But his views will have no significance unless and until the Supreme Court accepts them.

4. "For the common law favors competition; and it is of the essence of competition that competitors copy and undersell the product of an originator. The competitors do not lose their favored, common-law position merely because someone chooses to call them 'free riders.' To have protection from such competition, the originator must possess some sort of monopoly." *Charles D. Briddell, Inc.* v. *Alglobe Trading Corp.*, 194 F. (2d) 416, 418 (C.A. 2). Cf. *Hyde Park Clothes* v. *Hyde Park Fashions*, 204 F. (2d) 223 (C.A. 2).

5. See, *e.g.*, *Kann* v. *Diamond Steel Co.*, 89 F. 706, 712 (C.A. 8); "The intent to injure another, if no injury is done, and none ever will be done, constitutes no ground for relief." Cf. Holmes, J., dissenting in *Continental Wall Paper Co.* v. *Louis Voight & Sons Co.*, 212 U.S. 227, 271: "A man does not make conduct otherwise lawful unlawful simply by yearning that it should be so."

6. Restatement of Torts, § 729(f); *American Chicle Co.* v. *Topps Chewing Gum*, 208 F. (2d) 560 (C.A. 2); *Miles Shoes* v. *R. H. Macy & Co.*, 199 F. (2d) 602 (C.A. 2).

tiff's intent is unmistakable; accordingly, plaintiff had the burden of going forward with proof showing an absence of such likelihood; and that burden plaintiff did not discharge. Consequently, we do not accept the judge's findings as to the absence of unfair competition by plaintiff.[7]

It would seem that the Swiss manufacturer was not an indispensable party[8]; but, even if it was, plaintiff waived its absence as a party by not asserting that fact as a defense.[9]

We reject plaintiff's argument that it will be unfair to plaintiff to hold it liable here, because it may be subjected to a subsequent suit by Cartier: Defendant and the intervenor are entitled to an injunction, and also to the damages they have suffered; we need not now decide whether Cartier can also later collect damages for the harm done to it.

Since plaintiff was guilty of unfair competition, the judgment against defendant must be reversed. We remand with directions to dismiss plaintiff's complaint and, on the counterclaim, to grant an injunction against plaintiff, and to ascertain the damages to defendant and the intervenor.

The trial judge should determine whether defendant should also be awarded a sum equal to plaintiff's profits from sales of the infringing clock. We do not now decide that such an amount should be awarded but leave that matter to be decided, in the first instance at any rate, by the trial judge.

REVERSED AND REMANDED.

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7. Especially since his findings stemmed from his failure to apply the correct proof-burden rule and from his erroneous legal conclusion that the distribution of the Atmos clock by several persons prevented the existence of a secondary meaning. See 5 Moore, Federal Practice (2d ed.) p. 2631; *Galena Oaks Corp.* v. *Scofield* (C.A. 5), reported in 20 Fed. Rules Service 52a.42, case 3; cf. *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 394.

8. *G. H. Mumm Champagne* v. *Eastern Wine Corp.*, 142 F. (2d) 499, 502 (C.A. 2); *Capitol Records* v. *Mercury Records Corp.*, 109 F. Supp. 330, 334-335.

9. F.R. Civ. P. 12(h).

UNITED STATES COURT OF APPEALS.

For the Second Circuit.

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse in the City of New York, on the 31st day of March one thousand nine hundred and fifty-five.

Present:

HON. JEROME N. FRANK,
HON. HAROLD R. MEDINA,
Circuit Judges,
HON. STEPHEN W. BRENNAN,
District Judge.

MASTER CRAFTERS CLOCK & RADIO,
Plaintiff-Appellant,

vs.

VACHERON & CONSTANTIN, ET AL.,
Defendant-Appellant.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the judgment against the defendant be and it hereby is reversed and action remanded with directions to dismiss the plaintiff's complaint, to grant an injunction against the plaintiff on the counterclaim and to ascertain the damages to the defendant and the intervenor in accordance with the opinion of this court.

IT IS FURTHER ORDERED that a Mandate issue to the said District Court in accordance with this decree.

/s/ A. DANIEL FUSARO,
Clerk.

UNITED STATES COURT OF APPEALS

For the Second Circuit.

No. 194. October Term, 1954.
Motion Submitted April 11, 1955.
Petition Filed April 14, 1955. Decided June 10, 1955.

Docket No. 23157.

MASTERCRAFTERS CLOCK & RADIO CO.,
Plaintiff-Appellant,

vs.

VACHERON & CONSTANTIN-LE COULTRE WATCHES, INC.,
Defendant-Counterclaimant-Appellant,

and

JAEGER-LE COULTRE, S. A.,
Intervenor-Counterclaimant-Appellant.

Before: FRANK and MEDINA, *Circuit Judges,* and BRENNAN, *District Judge.*

Petition for rehearing. Motion for clarification of judgment.

PER CURIAM:

1. The petition for rehearing is denied.

2. The last full sentence on page 882 of the opinion and the sentence immediately following are amended to read as follows:

It gives rise to a powerful inference that confusion is likely, and puts on the alleged infringer the burden of

going forward with proof that it is not. Here the plaintiff's intent is unmistakable; accordingly, plaintiff had the burden of going forward with proof showing an absence of such likelihood; and that burden plaintiff did not discharge.

3. The following is added to the second full paragraph on page 883 of the opinion:

The trial judge should determine whether defendant should also be awarded a sum equal to plaintiff's profits from sales of the infringing clock. We do not now decide that such an amount should be awarded but leave that matter to be decided, in the first instance at any rate, by the trial judge.

SHERMAN ACT.

Sections 1 and 3 of the Sherman Act of July 2, 1890, 26 Stat. 209, as amended (15 U.S.C.) read as follows:

Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations, is hereby declared to be illegal: Provided, That nothing herein contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trade mark, brand, or name of the producer or distributer of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State Territory, or the District of Columbia in which resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 45 of this title; Provided further, That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or corporations in competition with each other. Every person who shall make any contract or engage in any combination or conspiracy hereby declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Sec. 3. Every contract, combination in form of

trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (July 2, 1890, Ch. 647, Sec. 3, 26 Stat. 209.)

FILED
JUL 25 1955
HAROLD B. WILLEY, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

No. 180

MASTERCRAFTERS CLOCK & RADIO CO.,
Petitioner,

vs.

VACHERON & CONSTANTIN-LE COULTRE WATCHES, INC.

and

JAEGER-LE COULTRE, S.A.,
Respondents.

BRIEF IN OPPOSITION

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